

OLL 85-0363/1
19 February 1985

MEMORANDUM FOR: See Distribution

VIA: Acting Chief, Liaison Division, OLL

FROM:
Liaison Division, OLL

STAT

SUBJECT: Senate Plans for Federal Retirement

Supplemental Retirement Plan

1. Senator Ted Stevens (D., AL) will introduce during the last week in February or the first week in March a bill to be called, "Civil Service Pension Reform Act of 1985." This legislation will be intended to set up a supplemental retirement plan for employees hired after 1 January 1984. Hearings on this bill will begin in mid-March.

2. A 17 January 1985 draft and analysis of this bill was distributed on 30 January 1985 (see OLL 85-0363). A final draft is now being prepared. The final version is expected to be identical to the 17 January draft with the exception of minor changes: The ways that survivor benefits are dealt with have been simplified and clarified; and, former civil service employees who have over a one-year break in service and who did not withdraw their Civil Service or who pay it back, will be given the same options regarding credit for their Civil Service as are continuous service employees. Re-hires will have to become a part of the new supplemental system.

3. No changes have been made in the draft Stevens bill to the following:

- Age 62 with 2 percent a year penalty
- Basic: .85 percent of average of last 5 year salary times years of service
- Thrift: Government contributes \$2 to every employee \$1, up to 8 percent employees salary (employee can contribute up to 10 percent).

4. Senator Stevens remains confident that the Government Affairs Committee will report this bill out by early summer and that the Senate will approve it by late summer. He expects that opposition will focus on the cost of the initial transition, and on long-term costs to the Government. His staff is collecting supportive cost data. He has received criticism from some employee groups who want to tilt the plan to be more advantageous to lower-salaried employees. However, as noted in paragraph 3, the Senator is staying firm on the percentages and formulas.

5. Senator Stevens continues to want a single retirement plan that covers all Federal employees, including agencies who now have separate plans.

In Section 8411 of his draft bill, Subsections (c) and (d) provide for an immediate annuity to the special retirement classes (law enforcement officer, firefighter, or air traffic controller) at age 55 with 25 years. Stevens wants to add to this section all the other special retirement classes, including CIA employees hired after 1 January 1984 who would have become eligible for CIARDS.

Changes to Current Civil Service System

5. The Administration and Senate Republicans (Dole) are pressuring Senator Stevens to agree to cost-saving changes to Federal entitlements, or to find the savings in other areas of government operations. The Senator remains opposed to any changes to the current Civil Service retirement system. However, he is negotiating, and will likely concede to, three changes:

a) COLA. One year freeze on January 1986 COLA. Thereafter, COLA would be lesser of change in CPI or GS pay increase. That "reference amount" would be applied to the first \$10,000 of pension income. Amounts above \$10,000 would be adjusted by 55% of the reference amount. \$10K base indexed to CPI each year.

b) Benefit calculation. Change salary base from high-3 to high-5 salary years.

c) The Senator will agree to an increase in employee contribution (from 7 to 9 percent) in exchange for no reduction in Federal pay.

STAT

Distribution:

- 1 - D/OLL
- 1 - DD/OLL
- 1 - DDA
- 1 - D/OP
- 1 - DD/EB&S/OP
- 1 - DD/PA&E/OP
- 1 - C/OLL/LEG
- 1 - A/C/OLL/LD
- 1 - [redacted] Subj.
- 1 - [redacted] Chrono
- 1 - OLL Record
- 1 - OLL Chrono

OLL:LD: [redacted] aw (19 February 1985)

STAT

STAT